



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Wayne Trace Local School District
Paulding County
501 West Townline Street
Payne, Ohio 45880-9362

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Wayne Trace Local School District (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Wayne Trace Local School District, Paulding County, Ohio, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 3 to the general-purpose financial statements, during fiscal year 2001, the District changed its method of accounting for nonexchange transactions.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2001 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

December 17, 2001

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**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS:				
Assets:				
Equity in Pooled Cash and Cash and Cash Equivalents	\$541,958	\$148,573	\$984,147	\$12,219,688
Cash with fiscal agents		13,590		
Receivables:				
Taxes	1,881,913	38,466	496,012	1,220
Due from other funds	41,000			133
Due from other governments		31,094		14,884,868
Material and Supplies Inventory				
Prepaid Items	20,016			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Other Debits:				
Amount Available in Debt Service Fund				
Amount to be Provided for Retirement of General Long-Term Debt				
Total Assets and Other Debits	\$2,484,887	\$231,723	\$1,480,159	\$27,105,909
LIABILITIES, FUND EQUITY AND OTHER CREDITS:				
Liabilities:				
Accounts Payable	\$29,466	\$6,018		\$99,378
Accrued Salaries and Benefits	508,490	23,060		
Compensated Absences Payable	8,866			
Due to other funds	133			
Intergovernmental Payable	95,512	4,441		
Deferred Revenue	1,597,595	69,499	\$495,332	14,886,027
Undistributed Monies				
Due to Students				
Judgement Loan Payable				
Capital Lease Payable				
Notes Payable				
Bonds Payable				
Total Liabilities	2,240,062	103,018	495,332	14,985,405
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings				
Fund Balance:				
Reserved for Encumbrances	107,895	7,991		28,718
Reserved for Prepaid Items	20,016			
Reserved for Debt Service			984,147	
Reserved for Property Taxes	127,531		680	61
Unreserved, Undesignated	(10,617)	120,714		12,091,725
Total Fund Equity and Other Credits	244,825	128,705	984,827	12,120,504
Total Liabilities, Fund Equity, and Other Credits	\$2,484,887	\$231,723	\$1,480,159	\$27,105,909

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$45,746	\$45,151			\$13,985,263 13,590
				2,417,611 41,133
11,899				14,915,962 11,899 20,016
92,181		\$8,605,037		8,697,218
			\$984,827	984,827
			16,690,659	16,690,659
\$149,826	\$45,151	\$8,605,037	\$17,675,486	\$57,778,178

\$1,822				\$136,684
21,279				552,829
9,032			\$265,553	283,451
41,000				41,133
11,979			51,834	163,766
5,210				17,053,663
	\$1,068			1,068
	44,083			44,083
			5,171,676	5,171,676
7,038			23,221	30,259
			5,671,626	5,671,626
			6,491,576	6,491,576
97,360	45,151		17,675,486	35,641,814
		\$8,605,037		8,605,037
57,641				57,641
(5,175)				(5,175)
				144,604
				20,016
				984,147
				128,272
				12,201,822
52,466		8,605,037		22,136,364
\$149,826	\$45,151	\$8,605,037	\$17,675,486	\$57,778,178

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	General	Special Revenue
Revenues:		
Taxes	\$2,003,919	\$19,866
Tuition and Fees	104,888	
Intergovernmental	3,893,166	407,097
Interest	94,662	739
Extracurricular Activities		240,842
Rent	455	
Customer Services		4,366
Gifts and Donations		11,300
Miscellaneous	144,299	3,008
	6,241,389	687,218
Total Revenues	6,241,389	687,218
Expenditures:		
Current:		
Instruction:		
Regular	3,277,652	104,433
Special	495,334	298,965
Vocational	110,312	
Other	15,401	
Support Services:		
Pupils	300,984	6,707
Instruction	192,300	53,165
Board of Education	81,740	
Administration	657,206	30,529
Fiscal	169,975	4,898
Operation and Maintenance	563,869	
Transportation	321,278	
Central Services	589	
Non Instructional Services		11,295
Extracurricular Activities	162,464	238,428
Capital Outlay		
Debt Service:		
Principal	161,795	
Interest		
	6,510,899	748,420
Total Expenditures	6,510,899	748,420
Excess (Deficiency) of Revenues Over (Under) Expenditures	(269,510)	(61,202)
Other Financing Sources:		
Operating Transfers In	77,420	
Proceeds from Sale of Bonds		
Proceeds from Sale of Notes		
Proceeds from Sale of Fixed Assets	1,500	
Other Financing Sources		
Operating Transfers Out	(122,632)	
	(43,712)	
Total Other Financing Sources	(43,712)	
Excess of Revenues and Other Sources Over (Under) Expenditures	(313,222)	(61,202)
Fund Balances at Beginning of Year (Restated)	558,047	189,907
Fund Balances at End of Year	\$244,825	\$128,705

The notes to the general-purpose financial statements are an integral part of this statement.

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
\$422,286	\$116,632	\$2,562,703
		104,888
47,610	897,512	5,245,385
51,080	145,154	291,635
		240,842
		455
		4,366
		11,300
		147,307
<hr/> 520,976	<hr/> 1,159,298	<hr/> 8,608,881
	89,457	3,471,542
		794,299
		110,312
		15,401
		307,691
		245,465
		81,740
		687,735
101,142	21,828	297,843
	43,418	607,287
		321,278
		589
		11,295
		400,892
	443,883	443,883
360,000		521,795
32,895		32,895
<hr/> 494,037	<hr/> 598,586	<hr/> 8,351,942
<hr/> 26,939	<hr/> 560,712	<hr/> 256,939
	5,716,838	5,794,258
5,671,626		5,671,626
	5,671,626	5,671,626
		1,500
89,895	18,943	108,838
(5,671,626)		(5,794,258)
<hr/> 89,895	<hr/> 11,407,407	<hr/> 11,453,590
116,834	11,968,119	11,710,529
867,993	152,385	1,768,332
<hr/> \$984,827	<hr/> \$12,120,504	<hr/> \$13,478,861

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$2,101,840	\$2,029,154	(\$72,686)
Tuition and Fees	104,888	104,888	
Intergovernmental	3,898,228	3,893,166	(5,062)
Interest	105,000	94,662	(10,338)
Rent	455	455	
Extracurricular Activities			
Customer Services			
Gifts and Donations			
Miscellaneous	144,298	144,298	
Total Revenues	6,354,709	6,266,623	(88,086)
Expenditures:			
Current:			
Instruction:			
Regular	3,300,443	3,299,033	1,410
Special	496,087	496,087	
Vocational	111,427	111,427	
Other	15,401	15,401	
Support Services:			
Pupils	297,410	297,410	
Instruction	192,173	192,173	
Board of Education	97,070	97,070	
Administration	650,586	650,586	
Fiscal	169,397	169,397	
Operation and Maintenance	571,790	571,790	
Transportation	390,982	390,982	
Central Services	580	580	
Non Instructional Services			
Extracurricular Activities	162,153	162,153	
Capital Outlay			
Debt Service:			
Principal	161,795	161,795	
Interest			
Total Expenditures	6,617,294	6,615,884	1,410
Excess of Revenues Over (Under) Expenditures	(262,585)	(349,261)	(86,676)
Other Financing Sources (Uses):			
Operating Transfers In	77,421	77,421	
Proceeds from Sale of Bonds			
Proceeds from Sale of Notes			
Proceeds from Sale of Fixed Assets	1,500	1,500	
Refund of Prior Year Expenditures	2,545	2,545	
Other Financing Sources			
Operating Transfers Out	(122,632)	(122,632)	
Advances Out	(11,000)	(11,000)	
Total Other Financing Sources (Uses)	(52,166)	(52,166)	
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(314,751)	(401,427)	(86,676)
Fund Balances at Beginning of Year	724,678	724,678	
Prior Year Encumbrances Appropriated	83,060	83,060	
Fund Balances at End of Year	\$492,987	\$406,311	(\$86,676)

(Continued)

Special Revenue Fund			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$19,805	\$19,805		\$445,474	\$445,474	
378,251	378,251		47,610	47,610	
739	739		51,816	51,080	(\$736)
240,842	240,842				
4,366	4,366				
11,300	11,300				
3,008	3,008				
658,311	658,311		544,900	544,164	(736)
104,484	104,484				
238,665	238,665				
6,644	6,644				
39,605	39,605				
18,568	18,568		101,141	101,141	
3,931	3,931				
11,295	11,295				
247,688	247,627	\$61			
			360,000	360,000	
			32,895	32,895	
670,880	670,819	61	494,036	494,036	
(12,569)	(12,508)	61	50,864	50,128	(736)
			5,671,626	5,671,626	
			89,895	89,895	
			(5,671,626)	(5,671,626)	
			89,895	89,895	
(12,569)	(12,508)	61	140,759	140,023	(736)
140,145	140,145		844,125	844,125	
6,941	6,941				
\$134,517	\$134,578	\$61	\$984,884	\$984,148	(\$736)

(Continued)

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$180,621	\$180,621	
Tuition and Fees			
Intergovernmental	897,512	897,512	
Interest	192,034	145,154	(\$46,880)
Rent			
Extracurricular Activities			
Customer Services			
Gifts and Donations			
Miscellaneous			
Total Revenues	1,270,167	1,223,287	(46,880)
Expenditures:			
Current:			
Instruction:			
Regular	108,936	108,936	
Special			
Vocational			
Other			
Support Services:			
Pupils			
Instruction			
Board of Education			
Administration			
Fiscal	21,829	21,829	
Operation and Maintenance	43,418	43,418	
Transportation			
Central Services			
Non Instructional Services			
Extracurricular Activities			
Capital Outlay	375,596	375,596	
Debt Service:			
Principal			
Interest			
Total Expenditures	549,779	549,779	
Excess of Revenues Over (Under) Expenditures	720,388	673,508	(46,880)
Other Financing Sources (Uses):			
Operating Transfers In	5,716,838	5,716,838	
Proceeds from Sale of Bonds			
Proceeds from Sale of Notes	5,671,626	5,671,626	
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Other Financing Sources	18,943	18,943	
Operating Transfers Out			
Advances Out			
Total Other Financing Sources (Uses)	11,407,407	11,407,407	
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	12,127,795	12,080,915	(46,880)
Fund Balances at Beginning of Year	66,288	66,288	
Prior Year Encumbrances Appropriated	21,914	21,914	
Fund Balances at End of Year	\$12,215,997	\$12,169,117	(\$46,880)

The notes to the general-purpose financial statements are an integral part of this statement.

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$2,747,740	\$2,675,054	(\$72,686)
104,888	104,888	
5,221,601	5,216,539	(5,062)
349,589	291,635	(57,954)
455	455	
240,842	240,842	
4,366	4,366	
11,300	11,300	
147,306	147,306	
8,828,087	8,692,385	(135,702)
3,513,863	3,512,453	1,410
734,752	734,752	
111,427	111,427	
15,401	15,401	
304,054	304,054	
231,778	231,778	
97,070	97,070	
669,154	669,154	
296,298	296,298	
615,208	615,208	
390,982	390,982	
580	580	
11,295	11,295	
409,841	409,780	61
375,596	375,596	
521,795	521,795	
32,895	32,895	
8,331,989	8,330,518	1,471
496,098	361,867	(134,231)
5,794,259	5,794,259	
5,671,626	5,671,626	
5,671,626	5,671,626	
1,500	1,500	
2,545	2,545	
108,838	108,838	
(5,794,258)	(5,794,258)	
(11,000)	(11,000)	
11,445,136	11,445,136	
11,941,234	11,807,003	(134,231)
1,775,236	1,775,236	
111,915	111,915	
\$13,828,385	\$13,694,154	(\$134,231)

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Enterprise</u>
Operating Revenues:	
Sales	<u>\$314,770</u>
Operating Expenses:	
Salaries	131,962
Fringe Benefits	36,986
Purchased Services	10,148
Cost of Sales	259,106
Depreciation	<u>15,943</u>
Total Operating Expenses	<u>454,145</u>
Operating Loss	<u>(139,375)</u>
Non-Operating Revenues/(Expenses):	
Operating Grants	119,281
Interest	149
Interest Expense	(1,560)
Federal Donated Commodities	<u>21,013</u>
Total Non-Operating Revenues/(Expenses)	<u>138,883</u>
Net Loss	(492)
Retained Earnings at Beginning of Year	<u>(4,683)</u>
Retained Earnings at End of Year	(5,175)
Contributed Capital at Beginning and End of Year	<u>57,641</u>
Total Fund Equity at End of Year	<u><u>\$52,466</u></u>

The notes to the general-purpose financial statements are an integral part of this statement.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Enterprise</u>		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
Sales	\$316,070	\$314,770	(\$1,300)
Federal and State Subsidies	119,281	119,281	
Interest	329	149	(180)
	<u>435,680</u>	<u>434,200</u>	<u>(1,480)</u>
Total Revenues			
Expenses:			
Salaries	143,072	143,072	
Fringe Benefits	23,114	23,114	
Purchased Services	9,176	9,176	
Materials and Supplies	249,186	249,153	33
Capital Outlay	2,326	2,326	
	<u>426,874</u>	<u>426,841</u>	<u>33</u>
Total Expenses			
Excess of Revenues Over Expenses	8,806	7,359	(1,447)
Other Financing Sources:			
Advances In	<u>11,000</u>	<u>11,000</u>	
Excess of Revenue and Other Sources Over Expenses	19,806	18,359	(1,447)
Fund Balance Beginning of Year	14,818	14,818	
Prior Year Encumbrances Appropriated	<u>11,551</u>	<u>11,551</u>	
Fund Balance End of Year	<u>\$46,175</u>	<u>\$44,728</u>	<u>(\$1,447)</u>

The notes to the general-purpose financial statements are an integral part of this statement.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Enterprise
Increase (Decrease) in Cash and Cash Equivalents:	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$314,770
Cash Payments to Suppliers for Goods and Services	(257,302)
Cash Payments to Employees for Services	(143,072)
Cash Payments for Employee Benefits	(23,114)
Net Cash Used for Operating Activities	(108,718)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	119,281
Advances from other funds	11,000
Net Cash Provided by Noncapital Financing Activities	130,281
<u>Cash Flows From Capital and Related Financing Activities:</u>	
Acquisition of capital Assets	(775)
Interest Expense	(1,560)
Net Cash Used for Capital and Related Financing Activities	(2,335)
<u>Cash Flows From Investing Activities:</u>	
Interest	149
Net Increase in Cash and Cash Equivalents	19,377
Cash and Cash Equivalents at Beginning of Year	26,369
Cash and Cash Equivalents at End of Year	\$45,746
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(\$139,375)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	15,943
Donated Commodities Used During Year	21,013
Changes in Assets and Liabilities:	
Increase in Commodities Inventory	(933)
Decrease in Accounts Payable	(2,617)
Decrease in Deferred Revenue	(95)
Decrease in Intergovernmental Payable	(1,399)
Increase in Compensated Absences Payable	1,893
Decrease in Capital Lease Payable	(5,417)
Increase in Accrued Wages	2,269
Total Adjustments	30,657
Net Cash Used for Operating Activities	(\$108,718)

The notes to the general-purpose financial statements are an integral part of this statement.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Wayne Trace Local School District is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

The School District is the 461st largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by 53 non-certificated employees, 78 certificated full-time teaching personnel who provide services to 1,268 students and other community members.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Wayne Trace Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District is associated with four organizations which are defined as a jointly governed organization and group insurance pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, the Vantage Vocational School, the Paulding County School Insurance Consortium and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 19 and 20 to the general-purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Wayne Trace Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to

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aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

1. Governmental Fund Types

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund - The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

2. Proprietary Fund Types

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Funds - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user

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charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

3. Fiduciary Fund Type

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The enterprise fund is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The enterprise fund operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types and agency funds. The full accrual basis of accounting is followed by the enterprise fund.

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Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, and student fees.

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditure are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of

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estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The Eisenhower and Title VI-B, special revenue funds are flow through grants in which the Western Buckeye Educational Service Center is the primary recipient. Budgetary information on these funds is not included with the District's reporting entity for which the appropriation budget is adopted.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

1. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Paulding County Budget Commission for rate determination.

2. Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

3. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, and object level of expenditure, which is the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not

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exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. Cash and cash equivalents held for the District by the Western Buckeye Educational Service Center is included on the Balance Sheet as part of "Cash with Fiscal Agents." During fiscal year 2001, investments were limited to repurchase agreements, mutual funds, government securities and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investment earnings are allocated as authorized by State statute.

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STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2001 was \$94,662, which included \$69,933 assigned from other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of one year or less at the time they are purchased by the School District are considered to be cash equivalents.

F. Inventory

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

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I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

Professional Development Block Grant
SchoolNet Professional Development Grant
Education Management Information Systems
Disadvantaged Pupil Impact Aid
E-rate
Auxiliary Services
Title I
Title IV
Title VI
Title VI-B
Title VI-R
Instructional Material Subsidy
Tech Literacy Challenge
Ohio Reads
Summer Intervention
Raising the Bar
Eisenhower Grant
Drug-Free Schools
Extended Learning Opportunities
Interactive Video Distance Learning Grant

Capital Projects Funds

School Net
Technology Equity
Emergency School Building Repair Grant
Classroom Facilities
Ohio School Facilities Grant - State Share

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Reimbursable Grants

General Fund

Driver Education

Proprietary Funds

National School Lunch Program

National School Breakfast Program

Government Donated Commodities

Grants and entitlements amounted to approximately 58% of the District's operating revenues during fiscal year 2001 for all governmental funds.

J. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets. As of June 30, 2001, the balance of interfund assets/liabilities was \$41,133.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

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Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

M. Bond Premiums and Discounts

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

N. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

O. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, prepaid items, debt service, and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

P. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1996, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

Q. Total Columns on General-Purpose Financial Statements

Total columns on the general-purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with

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generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. ACCOUNTABILITY

A. Prior Period Restatement Due to Change in Accounting Principles

For fiscal year 2001, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis the criteria established for accrual basis revenue recognition must be met and the revenues must be available. For the District, the implementation of these statements effected the excess of revenues over/under expenditures and fund balances as previously reported for the fiscal year ended June 30, 2000, by the following amounts:

	Special Revenue Funds
Excess of Revenues Over (Under) Expenditures as previously reported at June 30, 2000	(\$18,880)
Net change from change in accounting principles	60,000
Adjusted Excess of Revenues Over (Under) Expenditures	\$41,120
Fund Balance as previously reported at June 30, 2000	\$129,907
Net change from change in accounting principles	60,000
Restated Fund Balance at July 1, 2000	\$189,907

B. Deficit Fund Balances/Retained Earnings

Fund balances/retained earnings at June 30, 2001 included the following individual fund deficits:

Funds	Deficit Balance
<u>Special Revenue Funds</u>	
ODE	(\$4,286)
Teacher Development	(40)
Management Information Systems	(13)
Chemical Free Prom/Graduation	(926)
<u>Enterprise Funds</u>	
Food Service	(3,415)
Uniform Supply Fund	(1,760)

These GAAP-basis deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30, 2001.

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4. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual-All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - (All) Proprietary Fund Type(s) are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.
7. Although not part of the appropriated budget, the Eisenhower and Title VI-B, special revenue funds are included as part of the reporting entity when preparing financial statements that conform with GAAP.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP basis	(\$313,222)	(\$61,202)	\$116,834	11,968,119
Adjustments:				
Revenue accruals	27,780	(28,907)	23,188	63,989
Expenditure accruals	19,662	91,596	1	99,377
Encumbrances	(135,647)	(13,995)		(50,570)
Budget basis	(\$401,427)	(\$12,508)	\$140,023	\$12,080,915

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Net Loss Proprietary Fund Type	Enterprise
GAAP basis - net loss	(\$492)
Adjustments:	
Revenue accruals	(10,013)
Expense accruals	29,882
Encumbrances	(1,018)
Budget basis - excess of revenues over expenditures	\$18,359

5. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Interim monies may be invested in the following obligations. In general, investments must mature or be redeemable within two years from the date of purchase:

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

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4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

At fiscal year end, the School District had \$600 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

At fiscal year end, the School District had \$13,590 in Cash with Fiscal Agent held by Western Buckeye Educational Service Center which is included on the balance sheet as "Cash with Fiscal Agent".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits - At fiscal year end, the carrying amount of the School District's deposits was \$6,924,107 and the bank balance was \$7,162,990. Of the bank balance, \$402,265 was covered by federal depository insurance and \$6,760,725 was uninsured and uncollateralized. All State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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Investments - Investments are required to be categorized into the following:

Category 1 includes investments that are insured or registered or for which the securities are held by the Wayne Trace Local School District.

Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Wayne Trace Local School District's name.

Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the Wayne Trace Local School District's name.

At year end, the District's only investment was in STAR Ohio, and had a value of \$7,060,556. STAR Ohio is an investment pool operated by the Ohio Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$13,998,853	
Less:		
Cash with Fiscal Agent	(13,590)	
Cash on Hand	(600)	
STAR Ohio	(7,060,556)	\$7,060,556
GASB Statement 3	\$ 6,924,107	\$7,060,556

6. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)**

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Paulding, Putnam and Van Wert Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 was \$128,272 and is recognized as revenue; \$127,531 was available in the General fund, \$680 in the Debt Service fund and \$61 in the Capital Projects fund.

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second-Half Collections		2001 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$63,537,690	80.19%	\$64,697,680	80.17%
Public Utility	9,846,420	12.43%	10,600,190	13.13%
Tangible Personal Property	5,847,680	7.38%	5,394,759	6.70%
Total Assessed Value	<u>\$79,231,790</u>	<u>100.00%</u>	<u>\$80,692,629</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$33.70</u>		<u>\$33.70</u>	

7. INCOME TAX

The School District levies a voted tax of .75% for general operations on the income of residents and of estates. The tax was approved by the voters on March 19, 1996, and is effective January 1, 1997, for a period of five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited seventy percent to the General Fund, and thirty percent to the permanent improvements fund.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

8. RECEIVABLES

Receivables at June 30, 2001, consisted of both property and income taxes, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

9. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$269,588
Less: Accumulated Depreciation	<u>177,407</u>
Net Fixed Assets	<u><u>\$92,181</u></u>

A summary of the general fixed assets follows:

	Balance at 6/30/00	Additions	Deletions	Balance at 6/30/01
Land and Improvements	\$ 423,488	\$ 48,321		\$471,809
Buildings and Improvements	4,181,931	12,942		4,194,873
Furniture, Fixtures, and Equipment	2,359,092	131,365	\$8,631	2,481,826
Vehicles	1,121,757			1,121,757
Construction In Progress		334,772		334,772
Total	<u><u>\$8,086,268</u></u>	<u><u>\$527,400</u></u>	<u><u>\$8,631</u></u>	<u><u>\$8,605,037</u></u>

10. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. For fiscal year 2001, the School District contracted with Nationwide Insurance for property and fleet insurance, liability insurance, and inland marine coverage.

Coverages provided by Nationwide Insurance are as follows:

Building and Contents-replacement cost	\$21,624,000
Inland Marine Coverage:	
Musical Instruments	104,085
Photo Equipment	24,000
EDP	277,240
Boiler and Machinery	10,425,800
Crime Insurance	2,000

**WAYNE TRACE LOCAL SCHOOL DISTRICT
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(Continued)**

Automobile Liability	2,000,000
Uninsured Motorists	2,000,000
Umbrella Liability	5,000,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000

B. Workers' Compensation

For fiscal year 2001, the School District participated in the OSBA Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool(Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the performance is compared to the overall savings of the GRP. A participant will then either receive money form or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Anthem Comp. Services provided administrative, cost control and actuarial services to the GRP.

11. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Wayne Trace Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the Wayne Trace Local School District is required to contribute 14 percent; 4.2 percent was the portion to fund pension obligations for fiscal year 2001. For fiscal years 2000 and 1999, 5.5 percent and 7.7 percent was the portion to fund pension obligations, respectively. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$38,169, \$49,113, and \$64,447, respectively. 73 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$10,306, representing the unpaid contribution for fiscal year 2001 is recorded as a limited liability within the respective funds and the general long-term obligations account group.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)**

B. State Teachers Retirement System

The Wayne Trace Local School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the Wayne Trace Local School District is required to contribute 14 percent; 9.5 percent was the portion to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$299,854, \$189,992, and \$171,144, respectively. 49 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$152,926 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, two members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

12. POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$142,036.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,419 million at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000, and STRS had 99,011 eligible benefit recipients.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)**

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the District, the amount to fund health care benefits, including the surcharge, was \$112,358 for fiscal year 2001.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140,696,340, and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

13. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Full time (12 month) classified employees are entitled to two weeks (10 days) vacation after one full year of service, three weeks (15 days) vacations after ten years of service, and one day for each year of service to a maximum of twenty (20) days for fifteen complete years and thereafter. Accumulated, unused vacation time is paid to, or used by, classified employees upon termination of or separation from employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month which is 15 days annually. Vested sick leave is accumulated and, if unused, is paid upon retirement at 25% of the value of his/her accrued but unused sick leave credit to a maximum of 40 days.

B. Insurance

The School District provides life insurance to most employees through Medical Life Insurance Company. The School District has elected to provide employee medical/surgical benefits through Medical Mutual of Ohio. The majority of employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. Dental insurance is provided by the School District to most employees through Medical Mutual of Ohio.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)**

14. OPERATING LEASES

The School District is obligated under various operating lease agreements for copiers, vending machines, voice mail equipment, and a building for preschool. These agreements do not give rise to property rights and are not reflected in the School's account group. Total costs for such leases were \$28,451 during fiscal year 2001. Future minimum lease payments for these leases are as follows:

<u>Year Ending June 30,</u>	<u>Amounts</u>
2002	\$23,697
2003	22,750
2004	21,740
2005	15,564
2006	\$133
Total	<u><u>\$83,884</u></u>

15. CAPITAL LEASE

The School District has entered into lease agreements as lessee for financing the acquisition of musical instruments and a computer system for tracking student lunch sales. These leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date in the General Fixed Asset Account Group and the Food Service Enterprise Fund.

The assets acquired through capital leases are as follows:

<u>Assets</u>	<u>General Fixed Assets</u>	<u>Food Service Enterprise Fund</u>
Machinery and Equipment	\$38,701	\$25,055
Less: Accumulated Depreciation		(19,273)
Total	<u><u>\$38,701</u></u>	<u><u>\$5,782</u></u>

Capital Lease Payable Liabilities have been recorded in the General Long-Term Obligations Account Group and the Food Service Enterprise Fund in the amount of \$23,221 and \$7,038, respectively. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2001, were as follows:

<u>Year Ending June 30,</u>	<u>GLTDAG</u>	<u>Enterprise</u>
2002	\$7,740	\$6,977
2003	7,740	775
2004	7,741	
Total minimum lease payments	23,221	7,752
Amount representing interest		(714)
Present value of minimum lease payments	<u><u>\$23,221</u></u>	<u><u>\$7,038</u></u>

**WAYNE TRACE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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16. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Principal Outstanding 6/30/00	Additions	Deductions	Principal Outstanding 6/30/01
School Improvement Bond	\$1,179,950		\$360,000	\$819,950
Judgements Loan Payable	5,333,471		161,795	5,171,676
Compensated Absences	207,649	\$57,904		265,553
Intergovernmental Payables	55,109		3,275	51,834
Bond Anticipation Notes		5,671,626		5,671,626
School Improvement Bonds		5,671,626		5,671,626
Capital Lease Payable	30,961		7,740	23,221
Total General Long-Term Obligations	\$6,807,140	\$11,401,156	\$532,810	\$17,675,486

Proceeds from the outstanding school improvement bonds were used for building construction and improvements. The bonds were issued on June 1, 1991, and refinanced with School Improvement Refunding Bonds on April 15, 1998 with an average interest rate of 4.75%. The District will make biannual payments through fiscal year 2010.

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 2001, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total General Obligation Bonds</u>
2002	\$385,000	\$17,706	\$402,706
2003	115,000	7,303	122,303
2004	115,000	2,444	117,444
2005	48,363	76,637	125,000
2006	41,575	83,425	125,000
2007 - 2010	115,012	379,988	495,000
Total	<u>\$ 819,950</u>	<u>\$567,503</u>	<u>\$1,387,453</u>

On October 5, 1995, the Supreme Court of Ohio rendered an adverse decision against the District in a lawsuit which was filed as the result of an accident involving a District bus. The amount of the judgement at June 30, 1997, was \$5,618,561. On July 8, 1997, the District entered into a loan agreement with the State of Ohio to pay the judgement. Future requirements to retire this debt at June 30, 2001, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Payments</u>
2002	\$166,649
2003	171,648
2004	176,798
2005	182,102
2006	187,565
2007 - Thereafter	4,286,914
Total	<u>\$5,171,676</u>

**WAYNE TRACE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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Payments on above obligations are deducted from the School District's monthly Foundation payments by the State. The monthly deductions equal one-twelfth of two-thousandths or 2 mills of the School District's total taxable value reported for the lesser of 25 years or a period equal to the number of years required to pay off the loan, commencing July of 1998.

The District issued bond anticipation notes in total of \$5,671,626 on January 31, 2001. The notes matured on August 9, 2001 and carried an interest rate of 4.25%. The note proceeds will provide the local funds required for the Ohio Schools Facilities Commission project. Combined state and local funds will be used for renovations/additions to the District's elementary, junior and high schools. On May 1, 2001 the District issued \$5,671,626 in school improvement bonds, the bond proceeds were used to retire the bond anticipation notes maturing August 9, 2001. The bonds mature on December 1, 2023 and carry interest rates ranging from 3.25-5.2%.

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total General Obligation Bonds</u>
2002	\$165,000	\$1,450,334	\$1,615,334
2003	175,000	240,180	415,180
2004	175,000	234,653	409,653
2005	180,000	228,703	408,703
2006	190,000	222,490	412,490
2007-2010	4,786,626	1,955,904	6,742,530
Total	<u>\$ 5,671,626</u>	<u>\$4,332,264</u>	<u>\$10,003,890</u>

Compensated absences and the intergovernmental payables will be paid from the fund from which the employees' salaries are paid.

17. STATUTORY RESERVES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2001, the reserve for budget stabilization has been eliminated.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2001.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Balance June 30, 2000	(\$124,439)		\$77,420
Current Year Set Aside Requirement	144,925	\$144,925	
Current Year Offset		(144,925)	
Additional Deposits	32,209		
Legislative Reduction			(77,420)
Qualifying Expenditures	(135,900)		
Amount Carried Forward to Fiscal Year 2002	<u>(\$83,205)</u>		

**WAYNE TRACE LOCAL SCHOOL DISTRICT
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(Continued)**

18. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Wayne Trace Local School District as of and for the fiscal year ended June 30, 2001.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$ 288,307	\$26,463	314,770
Operating Expenses before Depreciation	402,870	35,332	438,202
Depreciation	15,943		15,943
Operating Loss	(130,506)	(8,869)	(139,375)
Donated Commodities	21,013		21,013
Operating Grants	119,281		119,281
Interest Income	149		149
Interest Expense	(1,560)		(1,560)
Net Income (Loss)	8,378	(8,870)	(492)
Net Working Capital	(28,923)	(1,760)	(30,683)
Total Assets	139,735	10,091	149,826
Total Equity	54,226	(1,760)	52,466
Encumbrances Outstanding at June 30, 2001	868	150	1,018

19. JOINTLY GOVERNED ORGANIZATION

Northwest Ohio Area Computer Services Cooperative (NOACSC)

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, Van Wert, and Wood Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities.

The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. The degree of control exercised by any participating educational entity is limited to its representation on the Board. Financial information can be obtained from Michael Wildermuth, who serves as director, 645 South Main Street; Lima, Ohio 45804.

Vantage Joint Vocational School

The Vantage Career Center is a district political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Vantage Joint Vocational School, Julie Mohr, Treasurer, 818 North Franklin Street, Van Wert, Ohio 45891-1304.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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20. GROUP PURCHASING POOL

Paulding County School Insurance Consortium

The Paulding County School Insurance Consortium is a Consortium of 3 local school districts: Antwerp Local, Paulding Exempted Village, and Wayne Trace Local. The insurance group is overseen by consultant Jake Cox with Celaris Group. Financial information can be obtained from Jake Cox, Celaris Group, 523 2nd St. Defiance, OH 43512.

OSBA Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under § 4123.29 of the Ohio Revised Code. The OSBA Workers' Compensation Group Rating Program (WCGRP) was established through the Ohio School Boards Association (OSBA) as insurance pool.

The Board of Directors of the Ohio School Board Association Workers' Compensation Plan has designated the Executive Director or his designee shall serve as the coordinator of the program. Each year, the participating members pay an enrollment fee to the WCGRP to cover the costs of administering the program.

21. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

B. State School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

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JUNE 30, 2001
(Continued)**

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 17, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may reexamine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

22. OHIO SCHOOL FACILITIES COMMISSION

In fiscal year 2001, the District was approved for a grant from the Ohio School Facilities Commission for a \$19,306,617 building construction and renovation project. The project will be financed by a \$15,638,617 grant from the Ohio School Facilities Commission and through issuance of bonds in the amount of \$3,668,000. The bond issue will be repaid from the proceeds of a 3.38 mill tax levy approved by the voters of the District on November 7, 2000. As of June 30, 2001 the District has recognized a receivable of \$14,884,868 for the amounts still due for the State portion of the project.

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**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education:</i>		
<u>Nutrition Cluster:</u>		
Food Distribution Program	-	10.550
School Breakfast Program	05-PU-01	10.553
National School Lunch Program	LL-P1-01	10.555
Total Department of Agriculture - Nutrition Cluster		
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education:</i>		
Title I Grants to Local Educational Agencies	C1-S1-00 C1-S1-01	84.010 84.010
Total Title I Grants		
Safe and Drug Free Schools and Communities State Grant	DR-S1-01	84.186
Eisenhower Professional Development State Grants	MS-S1-01	84.281
Innovative Educational Program Strategies	C2-S1-00 C2-S1-01	84.298 84.298
Total Innovative Education Program		
Technology Literacy Challenge Fund Grant	TF-VM-00	84.318
Class Size Reduction	CR-S1-00 CR-S1-01	84.340 84.340
Total Class Size Reduction		
Total Department of Education		
Totals		

The accompanying notes are an integral part of this schedule.

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
	\$20,891		\$20,986
\$16,795		\$16,795	
96,541		96,541	
<u>113,336</u>	<u>20,891</u>	<u>113,336</u>	<u>20,986</u>
37,057		56,891	
136,190		101,772	
<u>173,247</u>		<u>158,663</u>	
3,771		3,348	
5,309		2,299	
		1,055	
6,265		5,894	
<u>6,265</u>		<u>6,949</u>	
		25,000	
3,590		3,590	
29,409		29,409	
<u>32,999</u>		<u>32,999</u>	
221,591		229,258	
<u>\$334,927</u>	<u>\$20,891</u>	<u>\$342,594</u>	<u>\$20,986</u>

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Wayne Trace Local School District
Paulding County
501 West Townline Street
Payne, Ohio 45880-9362

To the Board of Education:

We have audited the financial statements of Wayne Trace Local School District (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 17, 2001, in which we disclosed the District changed its method of accounting for nonexchange transactions. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 17, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 17, 2001.

Wayne Trace Local School District
Paulding County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the finance committee, management, the Board of Education, federal award agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 17, 2001



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Wayne Trace Local School District
Paulding County
501 West Townline Street
Payne, Ohio 45880-9362

To the Board of Education:

Compliance

We have audited the compliance of Wayne Trace Local School District, Paulding County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the finance committee, management, the Board of Education, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 17, 2001

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Educational Agencies - CFDA # 84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-10263-001	ORC § 5705.10 deficit fund cash balances.	No	Some improvement has been made reducing this to a management letter comment.



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WAYNE TRACE LOCAL SCHOOL DISTRICT

PAULDING COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 8, 2002**